

Small Business by the Numbers

Answers to Frequently Asked Questions

Small businesses . . .

- represent more than 99% of all employers
- employ 51% of private-sector workers, 51% of workers on public assistance, and 38% of workers in high-tech jobs
- represent nearly all of the self-employed, which are 7.0% of the work force
- provide two-thirds to three-quarters of the net new jobs
- produce 51% of private-sector output
- represent 96% of all exporters of goods
- obtain 33.3% of federal prime and subcontract dollars
- are 53% home-based and 3% franchises

Sources: U.S. Department of Commerce, Bureau of the Census; U.S. Department of Labor, Bureau of Labor Statistics; Advocacy-funded study by Joel Popkin & Company; U.S. Department of Commerce, International Trade Administration; SBA Office of Government Contracting.

Q: What is a small business?

A: A business with fewer than 500 employees. For research purposes, the Office of Advocacy uses the small business definition of fewer than 500 employees and provides information for firms of various sizes. For technical purposes such as government contracting, the definition varies by number of employees and by gross revenues. You can learn more from the SBA's Office of Size Standards at (202) 205-6618 or visit www.sba.gov/size/.

Q: How many total businesses are there?

A: About 22.4 million in 2001. Business tax returns totaled 25.6 million in 2001. This number may overstate the number of businesses because, for example, one business may operate more than one taxable entity. Given:

- There were 16.15 million small businesses without employees in 1999, the latest data year for Census Bureau nonemployer statistics, and
 - The number of sole proprietorships—roughly equivalent to nonemployers—increased by 1.1 percent in 2000 and 1.6 percent in 2001 (Internal Revenue Service Statistics of Income), and
 - There were 5.61 million businesses with employees in 1999 (Bureau of the Census, Statistics of U.S. Business).
- By applying the sole proprietorship growth rates to the

nonemployer figures, applying similar growth rates from the Department of Labor to the employer figures, and adding together the resulting numbers for employer and nonemployer firms, the Office of Advocacy finds that 22.4 million is a fair approximation of the number of existing businesses.

Q: How many *small* businesses are there?

A: About 22.4 million. Subtracting the 17,000 businesses that are large (with 500 or more employees) from the 22.4 million total (22.4 million minus .017 million) still leaves a total of about 22.4 million small businesses.

Q: How many businesses do women own?

A: Women were full or part owners of 9 million businesses and the primary owners in 5.4 million of these (Bureau of the Census). The number of women-owned businesses increased by 16 percent over the 1992-1997 period, the most recent period for which comparative data are available.

Number of Firms by Various Measures, 1991–2001 (Millions)

	1991	2000	2001	Annual Change
Nonfarm Firms				
Total	NA	22.06*	22.41*	1.6%
Nonemployers	NA	16.33*	16.59*	-
Employers	5.05	5.73*	5.82*	-
Nonfarm Bus. Tax Returns	20.50	25.11*	25.55*	1.8%

* Estimate.

NA = not available.

Sources: Advocacy estimates using U.S. Census Bureau and U.S. Department of Labor data; U.S. Census Bureau, Statistics of U.S. Business (Advocacy funded); and Internal Revenue Service.

Q: How many businesses do minorities own?

A: In 1997 there were 1.2 million Hispanic-owned firms, 820,000 African-American-owned firms, 913,000 Asian- and Pacific-Islander-owned firms, and 197,300 firms owned by American Indians and Alaska Natives (Bureau of the Census). Over the 1992-1997 period, Native American-owned firms increased 84 percent; Asian-owned, 30 percent; Hispanic-owned, 30 percent; and African-American-owned, 26 percent.

The SBA's Office of Advocacy was created by an act of Congress in 1976 to protect, strengthen, and effectively represent the nation's small businesses within the federal government. As part of this mandate, the office conducts policy studies and economic research on issues of concern to small business and publishes data on small business characteristics and contributions. For instant access to small business resources, statistics, and research, visit the Office of Advocacy's home page at <http://www.sba.gov/advoc/>.

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Q: How many businesses open and close each year?

A: In 2001, of the businesses with employees, about 574,500 (10.0 percent) were new and about 585,800 (10.2 percent) closed (Advocacy estimates). Not all business closings are failures: 57.4 percent of business owners with employees and 38.2 percent of those without employees reported they were successful at closure. In 2001 the number of bankruptcies totaled 39,719, up from the previous year, but below the levels of the early 1990s.

Business Turnover, 1991–2001

	1991	2000	2001	Annual change
New Employer Firms	541,141	604,500*	574,500*	-5.0%
Employer Firm Closures	546,518	560,600*	585,800*	4.5%
Bankruptcies	70,605	35,219	39,719	12.8%

* Estimate.

Sources: Advocacy estimates; U.S. Census Bureau; U.S. Department of Labor, Employment and Training Administration; Administrative Office of the U.S. Courts.

Q: What is the survival rate for new firms?

A: Two-thirds survive at least two years. According to an Advocacy study of businesses over the 1989-1992 period, about 66 percent of businesses with employees remain open at least two years after startup, 49.6 percent are open at least four years, and 39.5 percent are open after six years.

Q: How many new jobs do small businesses create?

A: Two-thirds to three-quarters of net new jobs. The number depends on the years studied and reflects economic trends. In 1998-1999, the most recent data period, small businesses created 1.74 million (67.4 percent) of 2.59 million net new jobs.

Q: What is small firms' share of employment?

A: About 50 percent. Although small firms create more than half of the new jobs, their share of employment has remained steady at about 50 percent because in creating jobs, some small firms become large firms. Of 110.7 million nonfarm private sector workers in 1999, small firms with fewer than 500 workers employed 55.7 million and large firms employed 55 million; smaller firms with fewer than 100 employees employed 40.1 million.

Q: How are small businesses financed?

A: About 82.5 percent of small firms used some form of credit in 1998. Small firms use many different sources of

capital, including their own savings, loans from family and friends, and business loans from financial institutions. About 55 percent used loans from depository institutions. Forty-five percent had personal credit cards and 33 percent had business credit cards (Federal Reserve Board, *Survey of Small Business Finances*).

Small Firms using Financial Services, 1998

(Percent reporting use of various types of credit)

Credit Type	Total Small	Owner Type			
		Women	Asian*	Black	Hispanic
Credit Lines, Loans,					
Capital Leases	55.1	46.1	46.4	48.2	52.7
Business Credit Cards	33.3	28.2	26.9	28.8	29.0
Personal Credit Cards	45.1	46.7	52.8	44.1	41.8

* Includes Pacific Islander.

Source: Federal Reserve Board, *Survey of Small Business Finances*, 1998.

Q: How do regulations affect small firms?

A: Very small firms with fewer than 20 employees spend about double the amount per employee spent by larger firms to comply with federal regulations.

Cost of Federal Regulations by Firm Size, All Business Sectors (Dollars)

Type of Regulation	Cost per Employee for Firms with:	
	<20 Employees	500+ Employees
All Federal Regulation	6,975	4,463
Environmental	3,328	717
Economic	1,616	2,485
Workplace	829	698
Tax Compliance	1,202	562

Source: *The Impact of Regulatory Costs on Small Firms*, an Advocacy-funded study by W. Mark Crain and Thomas D. Hopkins.

Q: Whom do I contact about regulatory impacts?

A: To submit comments on proposed regulations, send email to advocacy@sba.gov. To follow up on regulatory enforcement issues, email regfair@sba.gov.

Q: How can I get more information?

A: For more detailed information from the Office of Advocacy, visit www.sba.gov/advo/. Please sign up at <http://web.sba.gov/list> for email delivery of news releases, *The Small Business Advocate* newsletter, small business research findings and statistics, and regulatory communications. For technical or financial assistance, call the SBA Answer Desk at 1-800-U-ASK-SBA.